

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Anna Calzada

Audit Report # 301-17-01
August 22, 2017

Post-Payment Audit of the Office of the Governor — Executive



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope	i
Payroll transactions and payroll deductions	i
Purchase/Procurement transactions.....	i
Prompt payment	ii
Travel transactions.....	ii
Internal control structure	ii
Fixed assets.....	ii
Prior post-payment audit and current audit recurring findings	ii

Detailed Findings — Payroll

Incorrect Longevity Pay Amount	1
--------------------------------------	---

Detailed Findings — Purchase/Procurement

Purchase Order Created After Invoice.....	2
Payment in Excess of Purchase Order.....	3
Missing Receiving Documentation	4
No Certified Texas Procurement Manager on Staff	5
DIR Term Contract Not Used/Missing DIR Waivers	6

Detailed Findings — Prompt Payment

Payments Past Prompt Payment Deadline	7
---	---

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Office of the Governor – Executive (Office) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Office receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Office's documents comply in the future. The Office must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Incorrect longevity pay amount.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase/Procurement transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Purchase order created after invoice.
- Payment in excess of purchase order.
- Missing receiving documentation.
- No Certified Texas Procurement Manager (CTPM) on staff.
- DIR term contract not used/missing DIR waivers.

Prompt payment

We audited the Office's compliance with prompt payment law and scheduling rules.

The audit identified:

- Interest not paid for three purchase transactions.

The Office paid \$71.58 in prompt payment interest during the audit period.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

- No issues were identified.

Internal control structure

The Office's internal control structure was reviewed. The review was limited to obtaining an understanding of the Office's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Office during the audit period to test for proper tracking in the Office's internal system. Their physical existence and use for state business was verified.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Office's payroll, purchase and travel transactions was concluded on Nov. 15, 2012.

During the current audit, we noted one recurring error:

- Prompt payment issues.

Contact:

Anna Calzada
512-463-4338

Contributing Auditors:

Melissa Hernandez, CTPM, CTCM
Alberto Lañas, MBA, CTPM
Waleska Carlin, CGAP
Steve Tamez

DETAILED FINDINGS — PAYROLL

Incorrect Longevity Pay Amount

Finding

We identified two employees at the Office with incorrect state effective service dates in USPS resulting in incorrect longevity pay amounts. One of these employees was identified in a report outside the sample that listed prior state service. Both employees noted the prior state service on the job application but did not receive credit for this time. These errors resulted in a total underpayment of \$900, of which \$60 was in the audit sample.

The Office's procedures include verifying prior state service whenever an employee indicates previous state service in the job application. The Office requested prior state service information at time of hire for one employee but failed to follow up with the other state entity. For the second employee, the Office stated that the additional service time was overlooked at the time of hire. Because of the audit, the Office verified the additional prior state service, made the required adjustments and compensated the employees for the longevity pay underpayments.

When an agency hires an employee, the agency must research whether the employee has previous state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource](#) – Longevity Pay.

Recommendation/Requirement

The Office must continue to review all current and new employee job applications for prior state service to ensure that it is properly recorded.

Office Response

The Office agrees with this finding. The Office will continue to review each employee's job application for prior state service for all current and new employees to ensure it is properly recorded.

DETAILED FINDINGS — PURCHASE/PROCUREMENT

Purchase Order Created After Invoice

Finding

We identified one transaction where a purchase order (PO) was created after the invoice was received. When a PO is created after the invoice is received, it becomes difficult for the Office to ensure it was not overcharged or billed for goods or services beyond those the Office agreed to purchase. The Office's procedures require that POs be created prior to obtaining goods and services, but the procedure was not followed in this instance.

As stated in 34 Texas Administrative Code Section 5.51(c)(1)(D), it is the general responsibility of a state agency and its officers and employees to, "ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible."

Recommendation/Requirement

The Office must ensure that documentation of the agreement is created at the time the goods or services are ordered from the vendor. Once the Office has made a final approved agreement with the vendor, the Office may not pay any amount in excess of the agreed upon amount unless the vendor provides the Office additional consideration.

Office Response

The Office agrees with the finding. The Office will ensure that documentation of the agreement is created at the time the goods or services are ordered from the vendor.

Payment in Excess of Purchase Order

Finding

We identified one transaction where the Office paid more than the authorized amount for an online subscription. The Office explained that the payment was an oversight.

A PO is a contract entered into between the Office and the vendor. When the Office enters into a contract for goods or services with the vendor, expenditures under the contract may not exceed the established limit.

The Office may amend a contract and pay additional amounts only if the vendor provides the Office an additional benefit, i.e., consideration. Any amendments to the original agreement should be documented and completed prior to the vendor providing goods or services.

Recommendation/Requirement

The Office must properly review and compare the invoices to the POs to ensure that they do not pay more than the authorized amount. In addition, the Office must document any amendments to the original contract.

Office Response

The Office agrees with the finding. The Office will review and compare the invoices to the POs to ensure that the Office does not pay more than the authorized amount.

Missing Receiving Documentation

Finding

We identified one purchase transactions missing receiving documentation to verify receipt of goods purchased. The Office was unable to locate the document needed to support the payment.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases. Proper documentation must be maintained to verify that payments are valid and to provide a proper audit trail.

As provided by 34 Texas Administrative Code, Section 5.51(c)(1)(D), it is the responsibility of a state agency and its officers and employees to, “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.”

Supporting documentation must be made available to the Comptroller’s office in the manner required. The types of supporting documentation that the Comptroller’s office may require include purchase orders, requisitions, contracts, invoices and receipts. See 34 Texas Administrative Code, Section 5.51(e)(2)-(3).

Recommendation/Requirement

The Office must ensure that no payment is made without sufficient supporting documentation. The Office must also ensure that it creates and maintains supporting documentation for audit review. The Office should review and update its procedures for maintaining proper supporting documentation for all purchases.

Office Response

The Office agrees with finding. The Office will review its procedures to ensure that proper supporting documentation for all purchases are collected and appropriately retained.

No Certified Texas Procurement Manager on Staff

Finding

We identified one procurement issue where the Office failed to have a Certified Texas Procurement Manager (CTPM) on staff. The total amount of purchases processed and the dollar value surpassed the required levels of training, experience and certification of current staff.

The Office believed that because they were using the State Procurement Division (SPD) to review their request for purchases and delegating the authority back to the Office, the CTPM requirement was met. State of Texas employees involved in the procurement of goods and services over \$100,000 must be CTPM certified.

A CTPM certification is required to hold purchasing authority for all competitive purchases over \$100,000. To earn the CTPM certification, an employee must do the following:

- Have at least three years of purchasing experience
- Complete the Texas Basic and Advanced Public Purchasing courses
- Complete the Texas Cost and Price Analysis, Negotiations, and Contract Administration course (or have the current equivalent certification from a national purchasing association)
- Pass the CTPM exam

See Texas Government Code, Section 2155.078 (a)-(b).

Recommendation/Requirement

The Office must ensure that the agency's purchasers complete the training in compliance with state law. SPD offers a variety of training and certification opportunities. See [Purchasing and Procurement Training and Certification \(CTP, CTPM\)](#).

Office Response

The Office agrees with this finding. The Office currently has a Certified Texas Procurement Manager on staff.

DIR Term Contract Not Used/Missing DIR Waivers

Finding

The Office purchased one information technology (IT) commodity without determining if the commodity was available through the Department of Information Resources (DIR) service contracts. In addition, the Office did not obtain a DIR waiver for IT services for four purchase transactions in the sample. The Office's procedures require purchasing from term contracts if an IT commodity or service is available on a DIR contract and obtaining DIR waivers, as applicable. However, the procedures were not followed in these instances.

Texas Government Code, Section 2157.068 states that agencies are required to determine whether the IT commodity or service is available from a DIR contract. If not, either a DIR exemption or an exemption provided by the Legislative Budget Board must be obtained. Such an exemption must be included in the documentation indicating that the product or service may be otherwise procured by the agency.

Recommendation/Requirement

The Office must ensure that if an IT commodity or service is available on a DIR contract, then the DIR contract is used for the procurement. Also, the Office must ensure that the required DIR waiver is obtained and placed in its procurement files prior to commencing an open market purchase of IT commodities or services that are not available through DIR contracts.

Office Response

The Office agrees with the finding. Procurement will ensure DIR is used for all IT commodities and services or that a DIR waiver is obtained.

DETAILED FINDINGS — PROMPT PAYMENT

Payments Past Prompt Payment Deadline

Finding

According to the prompt payment law, Texas Government Code, Section 2251.021(a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency, according to Texas Government Code, Section 2251.026. During the audit period, the Office paid vendors \$71.58 in interest.

In our sample, we identified three purchase transactions that were paid late; however, no interest was paid to the vendors. The errors occurred because the Office did not enter the payments into USAS in a timely manner.

Recommendation/Requirement

The Office must review its procedures to ensure that it submits payment processing and payment release information in a timely manner to avoid incurring interest liabilities. In addition, the Office must verify that proper due dates are entered to ensure the correct interest is paid to vendors if it is due.

Office Response

The Office agrees with findings. The Office will review its procedures to ensure that it submits payment processing and payment release information in a timely manner to avoid incurring interest liabilities. The Office will also verify that proper due dates are entered to ensure that correct interest is paid to vendors.